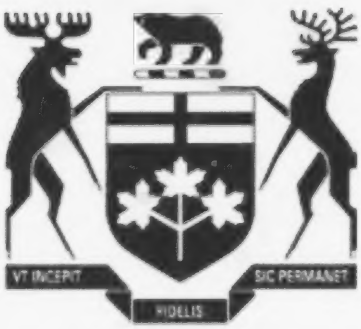


Ontario

# Ontario Energy Board

# 2013-2016 Business Plan Package

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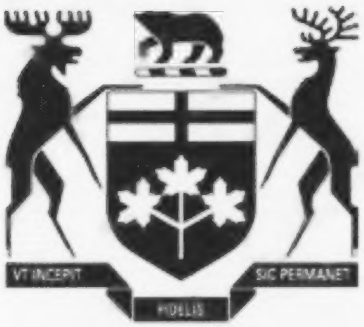
# BUSINESS PLAN




Ontario

# Ontario Energy Board

# 2013-2016 Business Plan

# Ontario Energy Board - 2013-2016 Business Plan

## Background and Context

The Board's Business Plan for 2013-2016 reflects the continuation of the strategic direction established in the Board's Business Plan for 2012-2015. Central to that strategic direction is a strong focus by the Board, in all aspects of its work, on the position of the province's energy consumers.

The structure of the 2013-2016 Business Plan follows the structure of the earlier plan. It sets out the Board's high level "vision" of the outcomes that it aims to achieve. That "vision" is derived from the Board's statutory mandate and is the basis on which the Board has identified the initiatives that it will undertake over the 2013-2016 planning period. Each of those initiatives is, in turn, connected to one or other of the Board's key stakeholder groups, namely Consumers and Industry, to the Public Policy framework established by government, or to the Board's own commitment to Organizational Effectiveness.

The initiatives set out in the 2013-2016 Business Plan reflect the substantial progress over the past year in respect of a number of areas, such as the renewal of the regulatory framework for electricity distributors, the enhancement of the Board's approach to compliance in the retail sector, the review of the Board's processes in respect of applications and hearings, and the review of the ways in which the Board communicates with and engages with consumers. The Business Plan identifies the further work that will be undertaken in respect of each of these key areas during the planning period.

The 2013-2016 Business Plan includes a number of new projects that are related to or arise from projects identified in the earlier plan. Those new projects are the development of an approach to "revenue decoupling" for electricity and gas distributors, a review of the Board's approach to the cost of capital for regulated utilities, a review of the Regulated Price Plan for low-volume electricity consumers, and a review and

"recalibration" of the Board's own process and performance metrics. The rationale for each of these new projects is set out in the body of the Business Plan.

The 2013-2016 Business Plan continues to focus only on initiatives that the Board considers to be strategic, that is, those initiatives that move the Board and the energy sector towards the outcomes set out in the "vision". Once initiatives are substantially complete and sufficiently embedded in the ongoing operations of the Board and regulated entities, those initiatives may be deleted from subsequent plans. On this basis, a number of the initiatives set out in the 2012-2015 Business Plan were not carried forward to the current plan.

The success of the 2013-2016 Business Plan depends very much on the people who work at the Board. This is particularly true as the Board navigates through a period of considerable change in its approach to regulation. During that period of change, the Board will continue to enhance its effectiveness and capabilities as an organization.

## Mandate and Mission

The Board's mandate is determined by the provincial government and is embodied in legislation, regulation and directives.

The Board's mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective.

## Vision

- The Board regulates the electricity and natural gas sectors in a manner that focuses on outcomes that are valued by consumers.
- Under the Board's regulatory framework, distributors, transmitters and other regulated entities invest and operate in a manner that increases efficiency and productivity, and that provides consumers with a reliable energy supply at a reasonable cost.
- The Board's own processes are efficient and effective and are understood by and accessible to both industry and consumers.
- Energy consumers have the information they need to understand the value they receive for their expenditures on energy and to make choices regarding their own use of energy.

# Consumers

Consumers are seeking reliable service that is cost effective. When that cost changes, consumers look for answers and understanding. The Board must align the requirements of the electricity and natural gas sectors with the needs of consumers. The Board will endeavour to meet the needs and expectations of consumers by focusing on outcomes that they value.

**Strategic Goals:**

1. Consumers receive a reliable supply of energy that is cost effective.

2. Consumers understand the rates and prices they are charged and are equipped to make informed choices about matters such as their consumption, conservation, and the range of energy products offered.

3. The Board's processes in respect of applications and policy consultations are understood by and accessible to consumers.

4. Consumers have confidence that distributors, unit sub-meter providers, retailers, and marketers are adhering to applicable customer service and consumer protection rules.

**Key Initiatives:**

1. Promote "energy literacy" by enhancing the ways in which the Board and regulated entities engage with consumers, including matters such as the Board's outreach and education programs, its consumer website, its complaint processes, and the information provided to consumers in respect of pending applications, Board decisions, and related matters.

The Board has many points of contact with consumers. The Board's own processes need to be understood by and accessible to consumers. The Board also recognizes that

consumers need better information. In particular, consumers need better information to understand the "value proposition" inherent in the prices and rates they pay and, in particular, the relationship between the rates they pay and the level of service and reliability they receive. Consumers also need better information in order to make informed choices about consumption, conservation, and the range of energy products and services offered. Accordingly, in 2012, the Board initiated a review of the way in which the Board and regulated entities communicate and engage with consumers. That review was completed in early 2013. That review yielded recommendations regarding matters such as the use of plainer language in the Board's external communications, working with other stakeholders to enhance communications regarding rates, and enhancing the Board's website.

FY 2013 Implement priority recommendations arising from the Board's review of consumer communications.

FY 2014 Continue to implement recommendations arising from the Board's review of consumer communications.

FY 2015 Monitor and assess the effectiveness of the Board's communication and engagement with consumers.

2. Adopt a risk-based approach to the assessment of compliance by retailers, marketers, sub-meter providers and distributors with their regulatory obligations to consumers.

The Board has initiated the development of a risk-based approach to the assessment of compliance by retailers and marketers. Over the planning period the Board will extend its risk-based approach to the assessment of compliance by electricity and natural gas distributors and by sub-meter providers. This approach will reflect an assessment of the areas that present the greatest potential for non-compliance and for harm to consumers and, thereby, enable the Board to focus its resources in a way that best serves the interests of consumers.

FY 2013 Implement a risk-based approach to the assessment of compliance by retailers and marketers.

Develop a risk-based approach to the assessment of compliance by distributors and sub-meter providers.

FY 2014 Implement a risk-based approach to the assessment of compliance by distributors and sub-meter providers.

FY 2015 Monitor compliance.

3. Continue to address the needs of low-income energy consumers.

The Low-Income Energy Assistance Program was implemented in early 2011. A key component of that program, the Emergency Financial Assistance program, provides emergency financial relief to low-income consumers in respect of their gas and electricity bills. The Board reported on the results for the first year of the Emergency Financial Assistance Program in August 2012. The Board continues to work with consumer groups, social agencies and distributors to monitor the program and identify opportunities for improvement in the delivery and oversight of the program. The Board anticipates that by 2014 the program will be fully embedded in the ongoing operations of gas and electricity distributors.

FY 2013 Report on the results of the Emergency Financial Assistance program for 2012.

FY 2014 Report on the results of the Emergency Financial Assistance program for 2013.

# Industry

The Board's mandate is to promote a financially viable, sustainable and efficient energy sector. The Board's approach to regulation must take into account the ongoing need for investment in both the electricity and natural gas sectors. Such investment may be needed in order to maintain the safe and reliable operation of the electricity and natural gas delivery systems and to facilitate the connection of renewable generation in accordance with government policy. The Board will endeavour to ensure that the pace at which this investment proceeds has particular regard for the impact on consumers.

**Strategic Goals:**

1. The Board regulates the industry in a manner that focuses on a clear set of outcomes for the sector as a whole.

2. Regulated entities (distributors, transmitters and generators) invest and operate in a manner that increases productivity and efficiency.

3. Regulated entities provide consumers with a reliable energy supply that is cost effective.

4. The Board's approach to regulation is aligned with the long-term policy framework established by the Government, including the policy framework relating to energy conservation and efficiency, to the implementation of a smart grid, and to the use and generation of electricity from renewable energy sources.

**Key Initiatives:**

1. Implement the renewed regulatory framework for electricity distributors and transmitters, with particular regard to the impact on consumers.

During 2012, the Board undertook extensive consultation regarding the regulatory framework for electricity distributors and transmitters. That work culminated in the release of the "Report of the Board – A Renewed Regulatory Framework for Electricity

Distributors: A Performance Based Approach" in October 2012. The Board undertook further consultation in late 2012 and early 2013 regarding the implementation of the framework. The Board's renewed regulatory framework for electricity is designed to support the cost-effective planning and operation of the electricity distribution network. By taking a longer term view, the new framework will provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price. The renewed regulatory framework is comprised of three main policies relating to: i) rate-setting, ii) capital and regional infrastructure planning, and iii) the measurement of distributor performance using a scorecard approach.

FY 2013 Complete the development of policies, guidelines, code and reporting requirements in support of the Renewed Regulatory Framework for Electricity.

Implement for 2014 rate applications.

FY 2014 Implement for 2015 rate applications and evaluate performance scorecards as filed by electricity distributors.

FY 2015 Implement for 2016 rate applications and evaluate performance scorecards as filed by electricity distributors.

2. Develop an approach to decouple revenues from throughput for the purpose of setting rates for electricity and gas distributors.

The Board has initiated a project to complete the work started in 2010 regarding revenue decoupling for electricity and natural gas distributors. The Board indicated, when first initiating the renewed regulatory framework project in 2010 that the revenue decoupling consultation would proceed once there was substantial completion of the renewed regulatory framework initiative. The Board will coordinate its consideration of revenue decoupling with the new ratemaking policies proposed in the renewed regulatory framework for electricity. Given the proposed increase in the period between rate reviews, it is appropriate to examine how best to address changes in demand during that longer period. In assessing different approaches to decoupling, the Board will consider the stability of revenue for the utility and of rates for the consumer, regulatory simplicity, consistency across distributors, and the impact of conservation.

FY 2013 Develop policy regarding revenue decoupling.

FY 2014 Implement decoupling in accordance with the policy developed by the Board.

FY 2015 Continue implementation of decoupling in accordance with the policy developed by the Board.

3. Review the Board's approach to the cost of capital for regulated utilities.

The "Report of the Board on the Cost of Capital for Ontario's Regulated Utilities" was issued in December 2009. That report committed the Board to conducting a review of its cost of capital policy in 2014. Such a review is appropriate because any formulaic approach, such as that employed by the Board, needs to be reviewed periodically and, if necessary, adjusted, in order to ensure that the approach continues to meet the fair return standard.

FY 2014 Complete the review of the Board's approach to the cost of capital.

FY 2015 Implement any modifications arising from the Board's review.

4. Assess ways for the Board to encourage distributors to realize operational or organizational efficiencies that benefit consumers.

In 2012, the Board initiated an assessment of ways for the Board to encourage distributors to realize efficiencies and cost savings through shared service and similar arrangements (including consolidation) and through a broader scope for new service offerings. The importance of looking at these issues was further underscored by the government's appointment in 2012 of the Distribution Sector Review Panel to provide advice and make recommendations related to the Province's electricity sector and distribution models, including opportunities for consolidating distributors. The report of the Distribution Sector Review Panel was released in December 2012. The Board will be prepared to respond to any further Government policy direction that may result from the Distribution Sector Review Panel's advice and recommendations.

FY 2013 Complete the assessment of ways to encourage distributors to realize efficiencies.

FY 2014 Based on the assessment, initiate such amendments to policies, codes and guidelines as may be appropriate.

FY 2015 Complete the implementation of such amendments to policies, codes and guidelines as may be appropriate.

5. Review the regulatory approach to setting payments for Ontario Power Generation.

In 2012, the Board consulted with stakeholders regarding incentive rate making options for OPG's prescribed assets. The Board anticipates that a Board Policy Report, providing further guidance regarding the setting of payments for OPG's prescribed assets, will be issued in early 2013.

FY 2013 Complete the Board Policy Report.

FY 2014 Implement the Board Policy Report.

FY 2015 Implement the Board Policy Report.

6. Review the Ontario natural gas market conditions and regulatory guidelines.

The Board Staff Report regarding the 2010 Natural Gas Market Review concluded that increased North American natural gas supply, particularly increased shale gas production, would continue to influence Ontario's natural gas transportation, demand and pricing. The report committed the Board to review the criteria used for the evaluation of pipeline transmission expansion. The review is complete and the Board will issue new guidelines in 2013. The Board will undertake its next review of the Ontario natural gas sector in 2014, on the third anniversary of the last review.

FY 2013 Complete guidelines regarding the evaluation of transmission pipeline expansion.

FY 2014 Natural Gas Market Review.

FY 2015 To be determined based on nature and scope of the review.

# Public Policy

The Board must carry out its mandate having due regard to the broader public policy framework established by Government. The Board will carry out the particular responsibilities assigned to it by legislation, regulation and directive in a constructive and effective manner.

**Strategic Goal:**

The Board's approach to regulation is aligned with the policy framework established by the Government, including the policy framework relating to energy conservation and efficiency, to the implementation of a smart grid, and to the use and generation of electricity from renewable energy sources.

**Key Initiatives:**

1. Ensure that the rules governing the connection of renewable generation to the grid are effective and are aligned with the Government's public policy objectives.

The *Green Energy Act*, and the OPA's feed-in-tariff program have accelerated the introduction of renewable electricity generation to Ontario. The ability of these new sources of generation to secure timely access to the electricity grid is important to the expansion of the Province's renewable electricity supply. In 2012, the Board amended the Distribution System Code to provide additional time for the completion of connection cost agreements for the proponents of large embedded generation facilities that require transmission upgrades. The Board has also initiated a review of the connection process in respect of micro-embedded generators. On the basis of that review the Board has proposed further amendments to the Distribution System Code.

FY 2013 Complete amendments to the DSC in respect of the connection process for micro-embedded generators.

Monitor implementation of the revised rules connection rules.

FY 2014 Monitor implementation of the revised connection rules.

FY 2015 Monitor implementation of the revised connection rules.

2. Review and evaluate the Regulated Price Plan (including Time of Use prices).

The Board estimates that approximately 4.8 million electricity customers have smart meters and that approximately 4.4 million customers are now being billed based on TOU prices. The Board has initiated a review of the way in which consumers are responding to TOU pricing. That review will be completed in 2013. The results from that review will be used to assess options for modifying the TOU pricing structure. In 2014 the Board will proceed with a comprehensive review of the Regulated Price Plan.

FY 2013 Complete review and assessment of TOU pricing.

FY 2014 Complete review of the Regulated Price Plan.

FY 2015 Implement modifications to the Regulated Price Plan as appropriate.

3. Review and report on conservation and energy efficiency programs for consumers in the electricity and natural gas sectors.

The Board has established conservation targets for electricity distributors for the 2011-2014 period and the framework for the DSM programs to be undertaken by natural gas distributors for the 2012-2014 period. The Board will continue to monitor and report on the results of these conservation and DSM programs each year.

FY 2013 Report on the results of the natural gas DSM programs and the progress of the electricity distributors towards their conservation targets.

FY 2014 Report on the results of the natural gas DSM programs and the progress of the electricity distributors towards their conservation targets.

4. Complete the designation process in respect of the East-West tie.

The East-West tie is one of the electricity transmission projects identified as a priority in the Long Term Energy Plan. Accordingly, the Board initiated a process in 2011-12 to designate a transmitter to undertake development work in respect of the proposed East-West tie. A decision on the form of the application was made in 2012. The Board will determine the designated proponent in 2013.

FY 2013 Complete the decision phase in respect of the designation process.

# Organization

The Board understands that its activities are funded by the entities it regulates and, ultimately, by all energy consumers of Ontario. The Board will continue to manage its operations in an efficient and effective manner. The Board will endeavour to ensure that its processes are efficient, understood, and accessible to both industry and consumers. The Board will strengthen its capabilities through leadership development, formal training and education, and on-the-job learning. The Board will also develop initiatives to attract and retain the skills and knowledge needed by the Board to carry out its mandate.

**Strategic Goals:**

1. The Board's own processes are efficient and effective.

2. Board processes are understood by and accessible to both industry and consumers.

3. The Board has the skills and knowledge needed to carry out the Board's mandate effectively.

**Key Initiatives:**

1. Enhance the efficiency and effectiveness of the applications and hearing process.

The Board undertook a comprehensive review of its processes in respect of applications, particularly applications regarding electricity distribution rates, in 2012. The Board's objective is to ensure that those processes are efficient and effective and that they are understandable to and accessible by both industry and consumers. A number of key improvements have been identified and many of these have already been implemented. Additional improvements will be implemented during 2013.

FY 2013 Continue to implement improvements to the applications and hearing process.

FY 2014 Implement further improvements to the applications and hearing process.

Monitor changes for continuous improvement.

FY 2015 Continue to implement improvements to the applications process.

Monitor changes for continuous improvement.

2. Review and enhance the Board's policy consultation process.

During 2012, the Board undertook a number of enhancements to its policy development and consultation process. These enhancements included earlier engagement with stakeholders at both the technical and executive levels, and the establishment of the Chair's Advisory Roundtables representing both industry and consumers. During 2013, the Board will undertake a more comprehensive review of its approach to and processes in respect of policy development. That review will include a consideration of best practices.

FY 2013 Evaluate the effectiveness of the Board's policy consultation process.

FY 2014 Modify the Board's policy consultation process as required based on the evaluation.

FY 2015 Monitor changes to the policy consultation process for continuous improvement.

3. Review and enhance the Board's process and performance metrics.

The Board is implementing a number of changes to its key processes in the areas of applications, rate-setting, compliance and enforcement, and consumer communications. In light of these changes, it is appropriate for the Board to review the metrics used for assessing and measuring the Board's own performance.

FY 2013 Review key Board performance and process metrics.

FY 2014 Implement changes to key performance and process metrics.

## Appendix A
## Mandate

The Ontario Energy Board (the "Board") has regulatory oversight of the Ontario natural gas and electricity sectors. As an adjudicative tribunal, the Board carries out many of its regulatory functions through public hearings. The Board also carries out some of its responsibilities through the creation and enforcement of rules for the natural gas sector and codes for the electricity sector, as well as through the issuance of policies and guidelines to inform and guide participants in both of those sectors. All of the Board's adjudicative and policy work is conducted through open and transparent processes, with a focus on long-term outcomes, reasoned decisions and practical solutions.

The Board performs its mandate under a statutory framework which sets out a number of objectives to guide the Board's work. Objectives relating to pricing, energy conservation, reliability and quality of service, and the maintenance of a financially viable industry are common to both sectors. Competition, the rational development and expansion of infrastructure, and communication and consumer education are additional objectives in relation to natural gas. Additional objectives in relation to electricity are economic efficiency and cost-effectiveness, smart grid implementation and the use of renewable energy sources.

The following is by way of summary only, and reference should be made to the Board's enabling statutes (principally the *Ontario Energy Board Act, 1998* and the *Electricity Act, 1998*) and the regulations made under those statutes for a complete and authoritative description of the Board's mandate, including circumstances under which entities have been exempted from regulation.

**Natural gas rates and facilities:** The Board approves the rates that can be charged for monopoly natural gas distribution and transmission services, and through this rate-setting process also regulates the demand-side management activities of natural gas distributors. The Board also has authority to set natural gas commodity prices and approve municipal franchise agreements relating to the supply of natural gas in municipalities. Mergers and acquisitions by natural gas distributors and transmitters are also subject to Board approval, as are larger natural gas infrastructure (pipelines) projects.

**Electricity rates and fees:** The Board approves the rates that can be charged for

monopoly electricity distribution and transmission services. The Board sets electricity commodity prices, as well as prices for the output of base load generation facilities operated by Ontario Power Generation Inc.

**Electricity system planning and facilities**: The Board has authority to mandate and approve electricity distribution and transmission system plans to facilitate renewable electricity generation connection and smart grid development. Mergers and acquisitions by electricity distributors and transmitters are subject to Board approval, as are larger electricity infrastructure (wires) projects.

**Licensing of electricity and natural gas participants:** Through its licensing function, the Board regulates the conduct of all participants in the electricity sector as well as the activities of marketers that sell natural gas to low-volume consumers. Through the licensing process, the Board also sets the conservation and demand management targets to be met by electricity distributors.

**Electricity and natural gas conservation programs**: The Board is responsible to promote energy conservation, energy efficiency, load management or the use of cleaner energy sources, including alternative and renewable energy sources. It reviews the achievement of conservation targets for electricity distributors and reviews and approves natural gas conservation programs.

**Retail electricity and natural gas markets:** The Board's regulation of the competitive retail market sector includes establishing rules to govern the conduct and business practices of electricity retailers and natural gas marketers, particularly in relation to low-volume consumers in keeping with enhanced consumer protection objectives inherent in the *Energy Consumer Protection Act, 2010*.

**Wholesale electricity market:** The Board's oversight of the wholesale electricity market includes the review of amendments to the market rules and of electric reliability standards. The Board also houses the Market Surveillance Panel, which monitors the wholesale market and has authority to investigate activities related to that market or the conduct of wholesale market participants.

## Appendix B
## Factors that may affect achievement of the Board's goals

Internal and external factors may influence the Board's success in achieving the individual objectives outlined in this Business Plan. These risks have remained constant over the last several years, and the Board has a number of mitigation strategies in place. The assessment of risk, further detailed in the Board's risk assessment for 2013-2016, has identified the following factors that may affect the achievement of the Board's goals:

- Change in government policy
- Change in market dynamics
- Effectiveness of stakeholder involvement
- Ability to attract individuals with the required market experience to staff and Board positions

Additional information on these factors can be found in the risk assessment section of the Business plan package.

## Appendix C
## Performance Assessment for the 2013-2014 Fiscal Year

The "Targets" in the Balanced Scorecard below identify the work or activities to be completed by the end of the 2013-2014 fiscal year.

### Consumer
### 25%

| Initiative | 2013-14 Target |
|---|---|
| Promote "energy literacy". | Implement priority recommendations arising from the Board's review of consumer communications. |
| Adopt a risk-based approach to the assessment of compliance. | Implement a risk-based approach to the assessment of compliance by retailers and marketers.<br><br>Develop a risk-based approach to the assessment of compliance by distributors and sub-meter providers. |
| Continue to address the needs of low-income energy consumers. | Report on the results of the Emergency Financial Assistance program for 2012. |

### Industry
### 35%

| Initiative | 2013-14 Target |
|---|---|
| Implement the renewed regulatory framework for electricity distributors and transmitters. | Complete the development of policies, guidelines, code and reporting requirements in support of the Renewed Regulatory Framework for Electricity.<br><br>Implement for 2014 rate applications. |

| | |
|---|---|
| Develop an approach to decouple revenues from costs. | Develop policy regarding revenue decoupling. |
| Assess how the Board's approach to the regulation of electricity distributors may affect the ability of distributors to realize operational or organizational efficiencies. | Complete the assessment of ways to encourage distributors to realize efficiencies. |
| Review the regulatory approach to setting payments for Ontario Power Generation. | Complete the Board Policy Report. |
| Review the Ontario natural gas market conditions and regulatory guidelines. | Complete guidelines regarding the evaluation transmission pipeline expansion. |

**Public Policy**
**15%**

| Initiative | 2013-14 Target |
|---|---|
| Ensure that the rules governing the connection of renewable generation to the grid are effective and are aligned with the government's public policy objectives. | Complete amendments to the DSC in respect of the connection process for micro-embedded generators.<br><br>Monitor implementation of the revised connection rules. |
| Review and evaluate the Regulated Price Plan (including Time of Use | Complete review and assessment of TOU pricing. |

| | |
|---|---|
| prices). | |
| Review and report on conservation and energy efficiency programs for consumers in the electricity and natural gas sectors. | Report on the results of the natural gas DSM programs and the progress of the electricity distributors towards their conservation targets. |
| Complete the designation process in respect of the East-West tie. | Complete the decision phase in respect of the designation process. |

**Organization**
**15%**

| Initiative | 2013-14 Target |
|---|---|
| Enhance the efficiency and effectiveness of the applications and hearing process. | Implement improvements to the applications and hearing process. |
| Review and enhance the Board's policy consultation process. | Evaluate the effectiveness of the Board's policy consultation process. |
| Review and enhance the Board's process and performance metrics. | Review key Board performance and process metrics. |

**Process Metrics**
**10%**

| Process | 2013-14 Target Metrics |
|---|---|
| Market Operations Hotline response | 90% of responses within 10 days. |

| | |
|---|---|
| within metrics. | Establish new benchmark for service. |
| Consumer calls metric for the Consumer Relations Centre. | 80% of calls answered within 20 seconds, voice mail the next day and consumer correspondence in 10 days.<br><br>Establish new benchmarks for service. |
| Board & delegated review of applications by staff within established metrics. | 75% for Board decisions, 80% for delegated staff decisions, and 90% within 60 days for cot award decisions.<br><br>Establish new benchmarks for service. |

# BUDGET

# 2013 – 2016 Business Plan
# Budget
# (Section 26 and 12.1 only)

| Units in thousand dollars | 2013-14 | 2014-15 | 2015-16 |
|---|---|---|---|
| **Revenues:** | | | |
| General Cost Recovery (expenses less revenue) | 32,998 | 33,167 | 33,250 |
| Licence fees (S.12.1) | 344 | 344 | 344 |
| Investment income | 162 | 162 | 162 |
| Miscellaneous income | 10 | 10 | 10 |
| Amortization of def. revenue related to cap. assets | 1,068 | 846 | 577 |
| **Total Revenue** | **34,582** | **34,529** | **34,971** |
| **Expenses:** | | | |
| Salaries & benefits | 26,438 | 26,659 | 27,299 |
| Consulting & professional | 2,183 | 2,108 | 2,060 |
| Meetings, training & travel | 474 | 474 | 400 |
| Publications, media & publishing | 640 | 690 | 641 |
| Premises | 2,585 | 2,682 | 2,924 |
| Information technology | 733 | 634 | 634 |
| Office, administration & other | 460 | 435 | 436 |
| Amortization | 1,068 | 846 | 577 |
| **Total Expenses** | **34,582** | **34,529** | **34,971** |
| | | | |
| Leasehold Improvements | 13 | 13 | 13 |
| Office furniture and equipment | 12 | 12 | 12 |
| Computer equipment and software | 450 | 275 | 175 |
| **Total Capital Expenditures** | **475** | **300** | **200** |
| | | | |
| **Total Expenses & Capital Expenditures** | **35,057** | **34,829** | **35,171** |
| | | | |
| **Operating reserve adjustment** | **(6)** | **(1)** | **61** |
| | | | |
| **Total Assessment** | **33,467** | **33,466** | **34,140** |

## Budget Assumptions

### Financial Assumptions

Due to the OEB's self-financing status, the Board established an operating reserve. The operating reserve is used for cash flow management and to support working capital requirements as the Board has, aside from its cost assessments, no access to credit or other means of financing its ongoing operations. The operating reserve is 10%.

Section 30 costs are not included in the budget above. Section 30 costs relate to hearings and regulatory policy development processes. The section 30 budget is estimated at $1.5 M in each year of the 2013-16 period.

Revenue from administrative penalties assessed against individual market participants under s. 112.5 of the OEB Act, 1998 cannot be used to reduce the general cost recovery as per the OEB Cost Assessment Model. These funds are internally restricted to support activities relating to consumer education, outreach and other activities in the public interest.

A blended interest rate of 1.6% has been assumed generating interest revenue on the operating reserve. No inflation has been assumed for non-compensation expenses and expenditures in the 2012 through 2015 period.

The budget has no increase in overall spending from the current year 2012-13 to the first two years of this budget period 2013-14 and 2014-15. In 2015-16 spending increases by 2%, the current government inflation rate for that year. The total assessment is the sum of capital and operating expenses plus the adjustment for the operating reserve less licence fees, investment and miscellaneous income and amortization.

### Human Resources Assumptions

In the 2013-16 budget, full time headcount has been decreased by three positions to 185 positions as a result of efficiency improvements.

The current four year Collective Agreement with the Society of Energy Professionals was ratified on June 9, 2011 and expires on March 31, 2015. There were no across the board salary or employee group benefit increases in the first two years of the agreement, resulting in no net increase to bargaining unit compensation per the

government's 2010 policy statement. Bargaining unit compensation increases and step progression are budgeted per the collective agreement.

The compensation structure for non- bargaining unit staff established in 2009 was frozen for the last two fiscal years consistent with the government's March 2010 restraint legislation (FY 2010/11 and 2011/12). For non-bargaining unit staff, structure adjustments and salary progression based on merit is budgeted for the 2013-16 period.

Incentive pay for eligible bargaining and non- bargaining unit staff has been budgeted for the period 2013-16.

**Information Technology Assumptions**

The IT projects for the 2013–16 period are:

1. Annual Desktop replacement - each year ¼ of the desktops are replaced to maintain user computers that are compatible with network services.
2. Enhancements to the Regulatory recordkeeping requirements will be made to support the Renewed Regulatory Framework for Electricity.
3. Enhancements to the Board's two main applications: Case management and Consumer interactions.
4. Upgrade to the financial system software.

## Budget Comparison
## Between the 2012-13 budget and the 2012-13 9+3 forecast

| Units in thousand dollars | 9+3 Forecast | Budget | Forecast Variance to Budget | |
|---|---|---|---|---|
| **Revenues:** | | | $ | % |
| General Cost Recovery (expenses less revenue) | 33,075 | 33,086 | (11) | -1% |
| Licence fees (S.12.1) | 350 | 344 | 6 | 2% |
| Investment income | 170 | 162 | 8 | 5% |
| Miscellaneous income | 8 | 10 | (2) | -20% |
| Amortization of def. revenue related to cap. assets | 1,241 | 1,370 | (129) | -9% |
| **Total Revenue** | **34,844** | **34,972** | **(128)** | **-1%** |
| **Expenses:** | | | | |
| Salaries & benefits | 25,254 | 25,999 | (745) | -3% |
| Consulting & professional | 2,170 | 2,225 | (55) | -2% |
| Meetings, training & travel | 474 | 615 | (141) | -23% |
| Publications, media & publishing | 417 | 983 | (566) | -58% |
| Premises | 2,508 | 2,592 | (84) | -3% |
| Information technology | 743 | 634 | 109 | 17% |
| Office, administration & other | 435 | 554 | (119) | -21% |
| Allowance for special projects | 1,600 | 0 | 1,600 | n/a |
| Amortization | 1,241 | 1,370 | (129) | -9% |
| **Total Expenses** | **34,844** | **34,972** | **(128)** | **-1%** |
| Leasehold Improvements | 25 | 12 | 13 | 108% |
| Office furniture and equipment | 5 | 13 | (8) | -62% |
| Computer equipment and software | 427 | 425 | 2 | 0% |
| **Total Capital Expenditures** | **457** | **450** | **7** | **2%** |
| **Total Expenses & Capital Expenditures** | **35,301** | **35,422** | **(121)** | **-1%** |
| **Operating reserve adjustment** | **(69)** | **(69)** | **0** | **0%** |
| **Total Assessment** | **33,463** | **33,467** | **(5)** | **-0%** |

## Budget Comparison
## Between the 2011-12 budget and 2011-12 actual spending

| Units in thousand dollars | Actual | Budget | Variance to Budget | |
|---|---|---|---|---|
| **Revenues:** | | | $ | % |
| General Cost Recovery (expenses less revenue) | 31,385 | 32,970 | (1,585) | -5% |
| Licence fees (S.12.1) | 344 | 327 | 17 | 5% |
| Investment income | 224 | 224 | - | 0% |
| Miscellaneous income | 11 | 7 | 4 | 57% |
| Amortization of def. revenue related to cap. assets | 1,190 | 1,057 | 133 | 13% |
| **Total Revenue** | **33,154** | **34,585** | **(1,430)** | **-4%** |
| **Expenses:** | | | | |
| Salaries & benefits | 24,654 | 25,618 | (964) | -4% |
| Consulting & professional | 2,463 | 2,387 | 76 | 3% |
| Meetings, training & travel | 524 | 873 | (349) | -40% |
| Publications, media & publishing | 723 | 1,050 | (327) | -31% |
| Premises | 2,442 | 2,323 | 119 | 5% |
| Information technology | 640 | 634 | 6 | 1% |
| Office, administration & other | 519 | 644 | (125) | -19% |
| Amortization | 1,190 | 1,057 | 133 | 13% |
| **Total Expenses** | **33,154** | **34,585** | **(1,431)** | **-4%** |
| Leasehold Improvements | 76 | 50 | 26 | 52% |
| Office furniture and equipment | 17 | 50 | (33) | -66% |
| Computer equipment and software | 1,033 | 1,157 | (124) | -11% |
| **Total Capital Expenditures** | **1,126** | **1,257** | **(131)** | **-10%** |
| **Total Expenses & Capital Expenditures** | **34,280** | **35,842** | **(1,562)** | **-4%** |
| **Operating reserve adjustment** | **(752)** | **(752)** | **0** | **0%** |
| **Total Assessment** | **31,759** | **33,475** | **(1,715)** | **-5%** |

The Board underspent its budget in 2011-12 by $1.7 million. This was due to efficiency savings being found across all expense areas. In accordance with the Board's cost assessment model, the surplus is returned to the payor classes in the manner and proportion that those organizations were assessed costs.

# RISK ASSESSMENT

**Ontario Energy Board**
**2013 – 2016 Business Plan**

## Risk Assessment and Mitigation

Risks are events that could prevent an organization from meeting its objectives. Risks are both internal and external to an organization. Once specific risks are identified management determines the appropriate means of mitigating either the probability of the risk occurring or its impact on the organization. The risks to the Board have not changed in recent years, and the mitigation strategies continue to be implemented.

Internal risks can include:

- Infrastructure (assets, capital, complexity)
- Personnel (capability, judgment,)
- Process (capacity, execution, dependencies)
- Technology (data, availability, capacity, reliability)

External risks can include:

- Economic (credit, liquidity, market, capital availability)
- Business (brand, fraud, competition, publicity)
- Technological (external data, emerging technology)
- Natural environment (waste, energy, fire, natural disaster)
- Political/social (laws, regulations)

Annually the Board completes a formal risk assessment relative to achieving its key objectives. This process involves:

1. confirming existing and identifying new or emerging inherent risks relative to key objectives;
2. assessing these risks and their implications;
3. determining risk response or mitigation strategies; and
4. implement the strategies and monitor their effectiveness.

In conducting the risk assessment, risks are evaluated on a high, medium and low basis with respect to (a) the probability of an event occurring; and (b) the impact should the

event occur. The evaluated risk of an event is the combination of the likelihood of it occurring multiplied by its estimated impact on the Board's ability to deliver on the initiatives in the plan.

An event assessed as a high probability and high impact represents the largest risk faced by the Board in implementing the plan. This means that the risk assessment should focus on mitigation measures for the higher risks first, then the moderate ones and, finally, the lowest risk events. In most cases, standard business practices, such as ongoing operational governance, offset risks. However, higher risks will require additional attention to ensure appropriate mitigation measures are implemented.

Internal and external risks may influence the success of individual projects or initiatives and policy outcomes. The risks the Board faces have remained constant over the last several years and a number of mitigation strategies remain in place to deal with them. The four highest level risks associated with the 2013-2016 Business Plan are:

1. High Impact, High Probability (HI, HP): Change in government policy.
2. High Impact, High Probability (HI, HP): Change in market dynamics.
3. High Impact, Moderate Probability (HI, MP): Stakeholder involvement.
4. High Impact, Moderate Probability (HI, MP): Availability of staff with specific expertise.

**Change in Government Policy (HI, HP)**

The primary factor that could affect the achievement of our Business Plan is provincial government policy. Further policy developments by the government, particularly policies that introduce significant change, could require subsequent changes to the Board's goals and objectives. Significant policy change is more likely in the electricity sector than in the gas sector given the greater level of control the provincial government has over the electricity sector.

Government policy could change the direction the Board takes with respect to consumer protection, oversight of the retailers and marketers and energy infrastructure. Government fiscal restraint policy can also impact the resources available to the Board along with longer term budget planning.

Ongoing risk-mitigation activities include the internal review and assessment of new legislation and regular liaison with both the Ministry of Energy and other government agencies.

**Changes in Market Dynamics (HI, HP)**

Economic conditions in provincial, national and international markets, such as those experienced during the last three years, can change the focus and operation of both the electricity and natural gas sectors. Technology development also plays a role in market dynamics, from how energy is sourced to how it is stored and how the distribution networks function. Operational effectiveness and profitability of the Ontario energy sector participants can change with changes in technology.

Ongoing risk-mitigation activities include regular monitoring of economic market conditions; energy market developments; and developments in energy technology allowing for new approaches to sourcing to storing energy. The Board also conducts reviews of the financial viability of distributors, a formal review of the natural gas market and meetings with stakeholders to receive updates on the energy market.

**Stakeholder Involvement (HI, MP)**

Industry representatives, consumer groups, environmental organizations and energy companies have an important role to play in policy development and adjudicative processes. Effective involvement of stakeholders is necessary to ensure the Board renders decisions and develops policies with comprehensive input from the parties most affected by the issues.

Ongoing risk-mitigation activities include: ensuring public consultation occurs with appropriate stakeholders in the appropriate manner on matters of public interest; using multiple approaches to reach stakeholders (i.e. consultation paper and request for comments; workshops; internet; meetings; sectoral meetings; liaison groups; government meetings) as appropriate. The Board is also working to improve its stakeholder processes through a review of the applications process and the policy consultation process.

**Availability of Staff with Specific Experience (HI, MP)**

The Board is a knowledge-based organization that depends on the active engagement of its qualified Board members and the professional regulatory staff. Learning and development of our staff is vital to the long-term health and productivity of the

organization. The Board endeavours to ensure there is a balance between the number of staff available with specific skills and knowledge and the work they are assigned to complete.

Ongoing risk-mitigation activities include: regular review of the workforce plan; measurement of employee engagement and effectiveness of engagement improvement plans; commitment to building and strengthening the capabilities of its staff through learning and development in technical competencies for staff and leadership competencies for management; and the assessment of leadership talent against new competencies. Other mitigation activities include a regular review of Board priorities in light of staff resources available.

**Risk Assessment and Mitigation Strategies**

As the assessment of risk is measured by the combination of its probability of occurring and the impact on the organization, a matrix is best suited to show how the various risks compare. In the table below (Table 1) probability is assigned low moderate and high. The impact on the organization is also assigned that ranking. The matrix shows that the four risks identified earlier are situated in the red zone – where the overall risk is highest. Moderate risks are coded yellow and low risk is coded green.

**Table 1: RISK ASSESSMENT MATRIX**

| | | PROBABILITY | | |
|---|---|---|---|---|
| | | **Low** | **Moderate** | **High** |
| **IMPACT** | **High** | • Facilities availability in emergency scenario<br>• IT systems availability | • Stakeholder Involvement<br>• Availability of staff and Board members with the skills and knowledge | • Change in government policy<br>• Change in market dynamics |
| | **Moderate** | • Compliance with legal, regulatory, license, codes or agency directives obligations | • Lack of coordination among energy sector institutions | |
| | **Low** | • Adequacy of funding and cash flow management | • Staff resource constraints | |

Mitigation strategies are identified in Table 2. Again the same colour coding is used: red is highest risk, yellow is moderate, and green is lowest. While the Board has identified four high level risks, mitigation strategies have been developed and are being implemented for all risks.

## Table 2: RISK MITIGATION ACTIVITIES

| Risk Identified | Risk Mitigation Activities |
|---|---|
| Change In government policy | • Regular liaison with government as per the Memorandum of Understanding |
| Change in market dynamics | • Regular monitoring of economic market conditions; energy market developments; and developments in energy technology allowing for new approaches to source and store energy<br>• Review of financial viability of distributors<br>• Natural gas market review<br>• Market update meetings with stakeholders |
| Stakeholder involvement | • Ensuring public consultation occurs with appropriate stakeholders in the appropriate manner on matters of public interest<br>• Using multiple approaches to reach stakeholders (i.e. consultation paper and request for comments; workshops; internet; meetings; sectoral meetings; liaison groups; government meetings) as appropriate<br>• Review of the applications and policy consultation processes |
| Availability of staff with specific skills and knowledge | • Annual review of workforce plan<br>• Succession Planning<br>• Knowledge Management |
| Facilities availability in emergency scenario | • Emergency Response Plan |
| Lack of coordination among energy sector institutions | • Work with Government Agencies on coordination of issues and processes |
| IT systems availability | • Monitor software and hardware evolution to keep pace with technology advances<br>• Maintain Firewalls and encryption<br>• Maintain data integrity and backup systems |
| Staff resource constraints | • Monitor priorities, and adjust as required<br>• Develop & monitor operational plans including required staff resources<br>• Assess the appropriateness of the organizational structure as part of the business planning cycle |
| Compliance with Legal, Regulatory, Licence, Codes or Agency Directives Obligations | • Maintain timely and accurate response to Information requests<br>• Monitor and analyze directives, codes, legislation for appropriateness to implement or seek adjustment or exemption, and to ensure compliance monitoring and reporting process |
| Adequacy of funding and cash flow management | • Prepare cash flow projections monthly<br>• Review and adjust cost assessment model as needed |

# COMMUNICATION PLAN

**Ontario Energy Board**
**2013-16 Business Plan**

**Communications Plan**

## Context

Regulating in the public interest requires the Board to align the requirements of the energy sector with the needs and expectations of consumers, while at the same time promoting a viable, sustainable and efficient energy sector that assists consumers in obtaining reliable and cost-effective energy services.

As in the previous two business plans, the 2013-2016 Business Plan focuses on outcomes that are valued by consumers. The key initiatives during this period are the implementation of (a) the Renewed Regulatory Framework for Electricity that commits the Board to regulating distributors and transmitters in a manner that better manages the pace of rate and bill increases for consumers; (b) the Applications Process Review; and (c) the Consumer Touchpoints Review.

## Target Audiences

Communication of the 2013-2016 Business Plan is directed toward the following audiences:

Internal audiences:

- Board members
- Employees

External audiences:

- Consumers
- Minister of Energy and ministry staff
- Entities that the Board directly regulates and/or licenses
- Other public agencies in the energy sector
- Industry associations
- Intervenors
- Members of the public who express an interest in the Board's work

**Communications Objectives**

- Demonstrate that the Board is committed to better outcomes for the sector through the implementation of a renewed regulatory framework for electricity.
- Demonstrate the Board is committed to regulation that is focused on the consumer.
- Demonstrate that the OEB is transparent, accessible and responsive to its stakeholders and consumers.
- Prepare stakeholders for the regulatory challenges in the coming year.
- Demonstrate that the OEB is committed to improving its own processes.

**Plan Launch**

- Subject to approval by the Minister, the Board will publish its final Business Plan and budget on its website and notify stakeholders that it is publicly available.
- The plan will be published as a web page on the Board's website to increase accessibility.

**Post-launch**

Once the plan has been launched, the Board will seek opportunities to convey the business plan objectives to key internal and external stakeholder groups.